



## **BILL DRAFT 2007-RBz-40A: Supplemental PEG Support**

### **BILL ANALYSIS**

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<b>Committee:</b>	Revenue Laws Study Committee	<b>Date:</b>	April 30, 2008
<b>Introduced by:</b>		<b>Summary by:</b>	Cindy Avrette
<b>Version:</b>	Bill Draft		Committee Staff

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**SUMMARY:** *This bill draft would clarify the distribution of supplemental PEG support funding. The League of Municipalities recommends the proposed changes to the Revenue Laws Study Committee. The bill would become effective when it becomes law. It would affect distributions made in the 2008-09 fiscal year.*

**CURRENT LAW:** In 2006, the General Assembly established uniform taxes for video programming services by applying the combined general rate of sales tax to all video programming services and repealing the local authority to impose a local franchise tax. It preserved the local government revenue stream by distributing part of the sales tax revenues from telecommunications and video programming services to the counties and cities. The distribution formula is based upon the amount of cable franchise tax imposed during the first six months of fiscal year 2006-2007 plus any subscriber fees imposed during that same period.

Of the revenue distributable to local governments, two million dollars (\$2,000,000) a year is allocated for supplemental PEG channel support. A PEG channel is a public, educational, or governmental access channel provided to a county or city. The \$2,000,000 allocation is distributed to counties and cities with qualifying PEG channels. The annual amount per qualifying PEG channel is \$25,000. A county or city can not receive supplemental PEG channel support for more than three PEG channels. The amount distributed to a county or city as supplemental PEG channel support must be used by it for the operation and support of PEG channels. If the amount to be distributed for qualifying PEG channels in a fiscal year is less than \$2,000,000, the Secretary must credit the excess amount to the PEG Channel Fund to be used for matching local grants for PEG channel support.

At the time the General Assembly considered the legislation in 2006, the information the staff had collected indicated that there would be 36 qualifying PEG channels. There were 276 certified PEG channels in the March 2008 distribution. In working with the data, the Committee staff and the League of Municipalities believe that the form used by the Department of Revenue is not as clear as it could be. This confusion may have resulted in some channels being double counted and in some channels receiving a distribution although they did not qualify for one.

**BILL ANALYSIS:** This bill draft seeks to clarify the distribution requirements and to provide that all qualifying PEG channels receive supplemental PEG support funding. The bill may not drastically reduce the number of channels receiving a distribution, but it should result in the allocations being received by the qualifying PEG channels. The bill does the following:

- It defines in the distribution statute what constitutes a 'qualifying PEG channel'. The definition of a qualifying PEG channel does not differ substantially from the current law; it does clarify the amount and type of programming that must be delivered by the channel. This change should limit the number of qualifying channels.

- It gives the Secretary of Revenue the flexibility to devise a form that may require a joint certification and the submission of documentation needed to support certification. This change should limit the number of qualifying channels.
- It defines a PEG channel operator, requires a county or city to include the name of the PEG channel operator for each qualifying PEG channel it certifies, and requires the county or city to distribute the proceeds to the PEG channel operator. This change will better ensure that the money is distributed by the local government for the use of the PEG channels. Sometimes, a single PEG channel has more than one operator. This change will ensure that the funds go to the operator of the PEG channel, even if the PEG channel is claimed by more than one local government.
- It requires a county or city to certify all qualifying PEG channels and to allocate the proceeds it receives equally among all of its certified PEG channels, and it provides that the distribution must be made to the PEG channel within 30 days of the county or city's receipt of the supplemental PEG support revenue. Under current law, a county or city may only receive supplemental funding for three PEG channels. Some qualifying PEG channels believe the funds are not being distributed fairly among the channels. These changes ensure:
  - That each qualifying PEG channel receives supplemental funding, even if a county or city has more than three qualifying channels.
  - That each qualifying PEG channel receives an equal amount of funding.
  - That each qualifying PEG channel receives the funding in a timely manner.
- It provides a method to account for revenues that are distributed in error. If it is determined that a county or city received a distribution in error, the county or city must submit a revised certification and return all funds received in error. Any funds returned will be added to the amount to be distributed in the following year as supplemental PEG support funding.
- It extends the period of time a county and city has to make its certification in 2008 from July 15, 2008, to September 15, 2008. It provides that the Department may make the distribution of supplemental PEG channel support for the quarter ending June 30, 2008, based upon the qualifying PEG channel certifications in effect for the fiscal year 07-08 distributions.